

The background of the slide is a close-up photograph of tree bark, likely from a birch tree. The bark is light-colored with horizontal lenticels. There are several dark, irregular holes and scars on the bark, which are signs of insect damage, possibly from bark beetles. The text is overlaid on a semi-transparent white band across the middle of the image.

Burlington's Fossil Fuel Divestment Committee

Selene Colburn, Chair & East District City Councilor
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Divestment Committee

- Selene Colburn, East District City Councilor (Chair)
- Jen Green, Sustainability Coordinator (Staff Support)
- Munir Kasti, Burlington Employee Retirement System member and Burlington Electric Department employee
- Benjamin O'Brien, Burlington Employee Retirement System member and Burlington Fire Department employee
- Ben Rinehart, Equity Research Analyst at Prentiss Smith and Co.
- Bob Rusten, Burlington Employee Retirement System member and Chief Administrative Officer
- Jeff Wick, Burlington Employee Retirement System member and attorney-at-law at Wick & Maddox
- Kurt Wright, Ward 4 City Councilor



Fossil fuel divestment

- “Divestment is the opposite of an investment - it simply means getting rid of stocks, bonds, or investment funds that are unethical or morally ambiguous.” - Fossil Free
- Argument for fossil fuel divestiture:
 - moral and fiscal
- Stranded assets and the Carbon Underground 200
- When talking about pension funds:
 - divestment VS investment strategies



Burlington Employee Retirement System (BERS):

- Identified Burlington's pension fund as the only investable public fund
- BERS is managed by Retirement Board Members who “serve as trustees of the funds of the Retirement System. They set investment goals and guidelines and review the performance of the money managers. They also set policy and oversee the general administration of the System.”
- BERS belongs to its members



BERS' current investment strategy:

- Pulled funds out of the Vermont Pension Investment Committee (VPIC) at the end of 2015
- Re-invested in indexed funds
- “Passive” investment strategy that emphasizes minimal management fees



Criteria for considering divestment:

Underlying criteria guiding BERS approach to investment decisions are:

- Fiduciary responsibility to retirees, current vested employees and taxpayers must guide all decisions regarding pension asset investing
- Assuming the highest rate of return for our pension system is the key metric for assessing whether or not fiduciary responsibility is met.



Criteria for considering divestment:

As requests are made to BERS regarding potential investment or divestment strategies, BERS may request as part of a formal proposal:

- Goals of the proposal
- Information on how BERS would have to modify its current investment portfolio to accomplish the proposal
- Information on alternate portfolio options that meet the goals of the proposal
- Historical information on the rate of return for the alternate portfolio from recognized objective sources
- Industry analysis from recognized objective sources including projected future issues



Criteria for considering divestment:

- After reviewing data, if BERS believes that there is sufficient information to take on the issue, than BERS will determine what further analysis is needed.
- If BERS believes that the divestment/investment recommendation meets its fiduciary responsibility, BERS can create a shadow fund or other mechanism to compare and evaluate performance.
- If BERS implements a change in investments based on this analysis, they can modify the portfolio again at any point as needed, based on current market information.



What we've learned:

- Fiduciary responsibility to pensioners is a legally binding charge to pension fund managers

Mark Langan/Attorney, Dinse Knapp McAndrew



What we've learned:

- Municipalities around the country are considering and enacting strategies to move pension investments out of fossil fuels
 - San Francisco
 - Providence, RI
 - New London, CT
- Divestment strategies typically rely on a phased approach
- Larger municipalities and pension funds have more leverage with managers to negotiate divestment/re-investment strategies at less cost



What we've learned:

- There is evidence that fossil fuel divestiture can be accomplished without a return penalty
- Fossil fuel free index shows a comparable or lower risk than benchmarks (looking at period from 2004 – 2015)
- Fossil fuel free investment options are quickly opening up for institutional investments

Eric Becker, CFA, Clean Yield Asset Management



What we've learned:

- Shareholder strategy has been most effective on the issue of disclosure
- The Investor Network on Climate Risk (INCR) offers the opportunity to participate in a broad network of shareholders
- INCR participation requires an annual fee of \$1,000, a commitment to mitigating climate risk in your portfolio and active participation in working groups
- Seattle and San Francisco and members

Investor Network on Climate Risk



Next steps:

- Analyzing current investment against the Carbon Underground 200 (how divested are we already?)
- Looking more closely at other municipal strategies
- Discussing INCR participation with the administration
- Gathering additional information and hearing from you!
- Finalizing findings and recommendations in an advisory report to BERS.



Public forum

Please share your
questions, ideas and
feedback

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